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Senate Finance and Claims Committee**March 26, 2009****HB 2 - Section B****Nursing Homes and Assisted Living**

For the record, I am Rose Hughes, Executive Director of the Montana Health Care Association. We represent nursing homes, assisted living facilities, and home care providers throughout the state of Montana.

Montana's nursing homes provide care to our most vulnerable elderly - people who can no longer care for themselves. When even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help.

The role of Medicaid in nursing homes. The state of Montana - through the Medicaid program - has taken on the responsibility of paying for the care of those who cannot afford their own care. Over 60% of the people in our nursing homes are on Medicaid. Normally, they have used all of their savings paying for their care, have sold their homes and have otherwise impoverished themselves. Any income, including their social security checks, are applied to their care. They get to keep only about \$50 per month to meet any personal needs they may have. These are people who have worked hard all their lives, paid taxes and contributed to their communities, but now they are old and sick and need our help.

Because so many of those we care for are on Medicaid, and because the state has accepted responsibility for those on Medicaid, the state is our partner in assuring that these people get good care. Our ability to hire enough staff and to pay them a living wage, as well as our ability to pay our other expenses, is all dependent on whether the state pays us enough to get the job done.

Impact of inflation. We are experiencing large increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor and basic every day necessities. Our facilities are struggling. Many are already reducing hours and staff. Some are considering closing - especially in our rural areas.

The cost increases we are experiencing are real and do not disappear because the legislature doesn't provide adequate funding. We will be forced to make cuts that affect the basic care to our residents - unless the legislature adds funding to HB 2 and/or HB 645 to account for our higher costs.

Cost of state owned and operated nursing home. The state knows full well what it takes to operate a nursing home. The state operates a nursing home in Columbia Falls. The budget for that facility has been increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The state is doing the right thing in that facility - they are providing excellent care. But, the state will be spending about \$270 per day of care in its own nursing home, while asking other nursing homes to do the job for \$160 per day.

Provider rate increases in HB 2 and HB 645. HB 2 contains a provider rate increase of 2/10ths of 1%. This is about 31 cents per patient day. *We are asking for an additional 2% per year rate increase to account for our increased costs.* When the subcommittee was working on HB 2, we (and they) were led to believe that any "holes" in HB 2 would be filled in HB 645. The subcommittee recommended an additional 2% per year provider rate increase to be included in HB 645, but that was not done. There was a small increase that amounts to less than 1/2 of 1%, but even that small amount is paid from a source and has restrictions that lead me to believe we will not receive it.

Wage increases in HB 2. There is also funding equal to about 8/10ths of 1% earmarked for wages, but it does not cover all of our staff. It will be difficult if not impossible to give these wages when we are freezing the wages of other staff and cutting hours and staff. We have appreciated the wage money when our finances were better, but this time we are asking that you not put restrictions on the use of the funding, and allow us the discretion to apply it where it is needed and makes sense. *We are asking that you allocate this money as a provider rate and remove the wage language.*

Need for assisted living rate increase. I want to take a minute to talk about our assisted living facilities. Assisted living facilities provide Medicaid services under the Medicaid waiver program. The rates to assisted living facilities are so low that the facilities limit the number of Medicaid residents they are willing to take. Interestingly enough, HB 2 funds new Medicaid waiver slots - to help serve the people on the waiting list. Half of the people on the waiting list are waiting for assisted living services - yet there are access problems because of the low rates. It seems to us that a rate increase for assisted living goes hand in hand with serving people on the waiting list for waiver services. These rates are so low that percentage increases provide little help. For example, a 1% rate increase yields 48 cents per patient day - or under \$15 per month. We are asking that the rates for assisted living be increased by \$5 per day each year of the biennium. Assisted living is a small part of the Medicaid waiver program, so this proposal will not take a large sum of money but will begin to get rates where they need to be to improve access.

What can we cut in lean times? We know these are lean times - but in a 24 / 7 care facility what do you expect us to cut? We can't turn the heat down because older people get chilled easily. We can't dim the lights because many of the people we care for have poor eyesight. We don't have a lot of ability to lower our food costs because there are nutritional

standards we must meet. When we cut hours and staff - care suffers. We can charge those who pay for their own care more and more and more, but we're reaching a saturation point on that. In some of the rural areas, mill levies are put on the ballot to keep the local nursing home open - forcing local taxpayers to pay more because Medicaid won't pay the cost of care.

State agencies receive inflationary increases as part of "current level". Quite frankly, it is frustrating to see government agencies receive inflationary increases as part of "current level" - to account for cost increases they know are coming - while those of us in the private sector have nothing for inflation in our current level appropriations.

We urge you to include in HB 2 a provider rate increase that takes into account expected inflation. This will help keep us afloat for the next two years.

Thank you for the opportunity to provide this information.